GOVERNMENT OF INDIA
CHEMICALS AND FERTILIZERS
LOK SABHA

STARRED QUESTION NO:438
ANSWERED ON:17.04.2001
REDUCTION IN SUBSIDY
UMMAREDDY VENKATESWARLU

Will the Minister of CHEMICALS AND FERTILIZERS be pleased to state:

(a) whether the Expenditure Reforms Committee has suggested a significantreduction in subsidy for the Naphtha-based fertilizer plants;

(b) if so, whether the Government have examined the recommendations of the said Committee ; and

(c) if so, the details of the salient recommendations in this regard?

Answer

THE MINISTER OF CHEMICALS AND FERTILIZERS (SHRI SUKHDEV SINGH DHINDSA)

(a) to (c): A statement is laid on the table of the House.

Statement referred to in reply to parts (a) to (c) of Lok Sabha Starred Question No. 438 to be answered on 17.4.2001

(a) to (c) : Expenditure Reforms Commission (ERC) has in its report entitled "RationalizingFertilizer Subsidies" recommended phased decontrol of the urea industry in four stages and introduction of Urea Concession scheme in place of existing Retention Price-cum-Subsidy Scheme (RPS).For working out the rates of concession during Stage-I, the Commission hasgrouped the existing urea units into five categories − pre-1992 gas based units, post-1992 gas based units, naphtha based units, FO/LSHS based units and mixed feedstock units. Rates of concession have been determined on the basis of weighted average retention price rounded off to immediate lower one hundred rupees of each group. For the naphtha based units, FO/LSHS based units and mixed feed stock units, the concession has been determined on the assumption that these units will import their feed stock requirements or procure these from domestic sources if the latter are willing to sell these at import parity prices. Thus, all those urea units including naphtha based units, whose existing retention prices are more than the weighted average retention price of the group, will face reduction in subsidy vis-Ã -vis their existing rates of subsidy under the present system of RPS.
In Stage-II, beginning 1st April 2002, the Commission has recommended a reductionin the rates of concession by way of reduction in capital related charges (CRC) and in theconsumption of energy. For pre-1992 and post-1992 gas based units a reduction at the rate of Rs.250/- and Rs. 450/- per MT in CRC respectively has been prescribed by the Commission.For naphtha and mixed feed stock based units, it prescribes an energy efficiency level of 7 Mkcal per MT of urea and 9.75 Mkcal per MT for FO/LSHS based units.In Stage-III, beginning on 1st April 2005, the Commission has assumed the conversionof all non-gas based plants to modernise and switch over to LNG. The concession to be given to the units at this stage is proposed to be further reduced on the basis of reduction in CRC forall the units. For those urea units, which are not able to switch over to LNG as feedstock, theconcession will be restricted to the level the unit would have been entitled to had it switched over to LNG.

Government is examining the recommendations of ERC for taking necessary decision.